

BOND INFORMATION STATEMENT  
State of South Dakota  
SDCL 6-8B-19

Return to: Secretary of State  
State Capitol  
500 E. Capitol  
Pierre, SD 57501-5077

FILING FEE: \$1.00

TELEPHONE: #(605) 773-3537

Every public body, authority, or agency issuing any general obligation, revenue, improvements, industrial revenue, special assessment, or other bonds of any type shall file with the Secretary of State a bond information statement concerning each issue of bonds.

1. Name of issuer: Deubrook Area School District No. 5-6, Deuel & Brookings Counties, SD,
2. Designation of issue: Cptl Outlay School Imp & Rfdg Ctfs., Series 2004
3. Date of issue: March 2, 2004
4. Purpose of issue: Pay costs of additions to the elementary school in Toronto, SD and refund on 3-2-04 \$910,000 Capital Outlay Refunding Certificates, Series 1998, dated July 15, 1998.
5. Type of bond: Capital Outlay Certificate
6. Principal amount and denomination of bond:  
\$1,110,000 - \$5,000 denomination or integral multiples thereof
7. Paying dates of principal and interest:  
Principal payable July 15, 2004 through July 15, 2018;  
Interest payable January 15 and July 15, commencing July 15, 2004.

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over

1287457

8. Amortization schedule:

Debt Service Schedule					
Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
03/02/2004	-	-	-	-	-
07/15/2004	30,000.00	1.350%	13,577.08	43,577.08	43,577.08
01/15/2005	-	-	18,172.50	18,172.50	-
07/15/2005	65,000.00	1.550%	18,172.50	83,172.50	101,345.00
01/15/2006	-	-	17,868.75	17,868.75	-
07/15/2006	60,000.00	1.850%	17,868.75	77,868.75	95,337.50
01/15/2007	-	-	17,113.75	17,113.75	-
07/15/2007	65,000.00	2.150%	17,113.75	82,113.75	99,227.50
01/15/2008	-	-	16,415.00	16,415.00	-
07/15/2008	70,000.00	2.500%	16,415.00	86,415.00	102,830.00
01/15/2009	-	-	15,540.00	15,540.00	-
07/15/2009	75,000.00	2.800%	15,540.00	90,540.00	108,080.00
01/15/2010	-	-	14,480.00	14,480.00	-
07/15/2010	70,000.00	3.050%	14,480.00	84,480.00	96,980.00
01/15/2011	-	-	13,422.50	13,422.50	-
07/15/2011	75,000.00	3.300%	13,422.50	88,422.50	101,846.00
01/15/2012	-	-	12,185.00	12,185.00	-
07/15/2012	75,000.00	3.550%	12,185.00	87,185.00	99,370.00
01/15/2013	-	-	10,853.75	10,853.75	-
07/15/2013	80,000.00	3.750%	10,853.75	90,853.75	101,707.50
01/15/2014	-	-	9,353.75	9,353.75	-
07/15/2014	85,000.00	3.900%	9,353.75	94,353.75	103,707.50
01/15/2015	-	-	7,866.25	7,866.25	-
07/15/2015	80,000.00	4.050%	7,866.25	87,866.25	95,982.50
01/15/2016	-	-	6,076.25	6,076.25	-
07/15/2016	85,000.00	4.200%	6,076.25	91,076.25	97,182.50
01/15/2017	-	-	4,291.25	4,291.25	-
07/15/2017	95,000.00	4.350%	4,291.25	99,291.25	103,582.50
01/15/2018	-	-	2,225.00	2,225.00	-
07/15/2018	100,000.00	4.450%	2,225.00	102,225.00	104,450.00
Total	\$1,110,000.00	-	\$344,584.58	\$1,454,584.58	-

Yield Statistics

Bond Year Dollars.....	\$9,095.08
Average Life.....	8.194 Years
Average Coupon.....	3.7886907%
Net Interest Cost (NIC).....	3.7886907%

9. Interest rate or rates, including total aggregate interest cost:

See above.

This is to certify that the above information pertaining to the

Deubrook Area School District No. 5-6

(name of public body, authority, or agency)

is true and correct on this 17 day of February, 2004.

By: [Signature]

Its: Vice President

Official Statement Dated January 26, 2004

*In the opinion of Bond Counsel, under existing laws, regulations and court decisions and subject to the qualifications set forth herein under "TAX EXEMPTION," interest on the 2004 Certificates is not includable in gross income for purposes of regular federal income taxation. Interest on the 2004 Certificates is not subject to the alternative minimum tax imposed on individuals under the Internal Revenue Code of 1986, as amended (the "Code"), but is required to be included in the calculation of adjusted current earnings to be used in computing corporate alternative minimum taxable income. See the caption "TAX EXEMPTION" herein.*

**\$1,110,000**

**DEUBROOK AREA SCHOOL DISTRICT NO. 5-6  
DEUEL & BROOKINGS COUNTIES, SOUTH DAKOTA  
CAPITAL OUTLAY SCHOOL IMPROVEMENT  
AND REFUNDING CERTIFICATES  
SERIES 2004**

Dated: Date of Delivery

Due: July 15, as shown below

The Capital Outlay School Improvement and Refunding Certificates, Series 2004 (the "2004 Certificates") are issuable as fully registered certificates and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2004 Certificates. Purchases of the 2004 Certificates will be made in book-entry only form, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Beneficial owners of the 2004 Certificates will not receive physical delivery of certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the 2004 Certificates. Interest is payable on July 15, 2004, and on each January 15 and July 15 thereafter. So long as DTC or its nominee is the registered owner of the 2004 Certificates, payments of the principal or redemption price of and interest on the 2004 Certificates will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "THE 2004 CERTIFICATES - Global Book-Entry Certificates." The Business Manager of the Deubrook Area School District No. 5-6 in White, South Dakota, will act as Paying Agent and Registrar for the 2004 Certificates. For terms relating to payments made to DTC or its nominee or in the event that the use of book-entry form is discontinued, see "THE 2004 CERTIFICATES."

The 2004 Certificates are subject to optional redemption prior to maturity at any time on or after July 15, 2009, as described herein.

## MATURITY SCHEDULE

<u>July 15</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>July 15</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>
2004	\$ 30,000	1.35%	100.00%	2012	\$75,000	3.55%	100.00%
2005	65,000	1.55	100.00	2013	80,000	3.75	100.00
2006	60,000	1.85	100.00	2014	85,000	3.90	100.00
2007	65,000	2.15	100.00	2015	80,000	4.05	100.00
2008	70,000	2.50	100.00	2016	85,000	4.20	100.00
2009	75,000	2.80	100.00	2017	95,000	4.35	100.00
2010	70,000	3.05	100.00	2018	100,000	4.45	100.00
2011	75,000	3.30	100.00				

The 2004 Certificates are being issued to provide funds to pay the costs of additions to the existing elementary school building in Toronto, South Dakota, and to furnish and equip the same, and to refund \$910,000 principal amount of outstanding Capital Outlay Refunding Certificates, Series 1998, dated July 15, 1998.

The 2004 Certificates constitute direct limited obligations of the District and as such are secured by the taxing authority of the District for its capital outlay fund pursuant to South Dakota Codified Laws, not to exceed \$3 per \$1,000 annually on all of the taxable valuation of the District. The projected maximum annual debt service of \$109,100 on the 2004 Certificates requires \$0.77 of the \$3.00 authorized levy on the current District valuation.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision.

The 2004 Certificates are offered in book-entry form, when, as and if issued and received by the Underwriter and subject to the approval of legality by Messrs. Danforth, Meierhenry & Meierhenry, L.L.P., Attorneys-at-Law, Sioux Falls, South Dakota, Bond Counsel, and certain other conditions. It is expected that the 2004 Certificates will be available for delivery through The Depository Trust Company, in New York, New York, on or about March 2, 2004.

**AMERITAS INVESTMENT CORP.**

The information contained in this Official Statement has been obtained from Deubrook Area School District No. 5-6 and other sources which are believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information, and nothing contained in the Official Statement is, or shall be relied on, as a promise or representation by the Underwriter. The Official Statement is submitted in connection with the sale of securities as referred to therein, and may not be reproduced or be used, in whole or in part, for any other purpose. Neither delivery of the Official Statement nor any sale made thereunder shall create an implication that information therein is correct as of any time subsequent to its date.

No dealer, broker, salesman, or other person has been authorized by the School District or the Underwriter to give any information or to make any representations with respect to the 2004 Certificates other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2004 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

IN CONNECTION WITH THE OFFERING OF THE 2004 CERTIFICATES, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH CERTIFICATES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**OFFICIAL STATEMENT RELATING TO  
\$1,110,000  
DEUBROOK AREA SCHOOL DISTRICT NO. 5-6  
DEUEL & BROOKINGS COUNTIES, SOUTH DAKOTA  
CAPITAL OUTLAY SCHOOL IMPROVEMENT  
AND REFUNDING CERTIFICATES  
SERIES 2004**

**INTRODUCTION**

The purpose of this Official Statement which includes the cover page and the appendix is to set forth information concerning Deubrook Area School District No. 5-6 (the "District"), and the District's \$1,110,000 Capital Outlay School Improvement and Refunding Certificates, Series 2004 (the "2004 Certificates"), dated the date of delivery thereof.

**PURPOSE AND AUTHORITY**

The 2004 Certificates are being issued to provide funds to pay the costs of additions to the existing elementary school building in Toronto, South Dakota, and to furnish and equip the same, and to refund \$910,000 principal amount of outstanding Capital Outlay Refunding Certificates, Series 1998, dated July 15, 1998.

The 2004 Certificates have been issued pursuant to a resolution duly adopted by the Board of Education in accordance with Sections 13-16 and 6-8B-30 to 6-8B-52, inclusive, South Dakota Codified Laws.

**SECURITY**

The 2004 Certificates constitute direct limited obligations of the District and as such are secured by the taxing authority of the District for its capital outlay fund pursuant to South Dakota Codified Laws, Sections 13-16-6 and 13-16-7, not to exceed \$3 per \$1,000 annually on all of the taxable valuation of the District. The proceeds of such levy are irrevocably pledged by the School Board to the payment of principal of and interest on the 2004 Certificates and shall be held in the capital outlay fund and used for such purpose. So long as any 2004 Certificates are outstanding, the School Board is compelled by mandamus to levy an annual tax sufficient to pay principal and interest thereon, but not to exceed the \$3 per \$1,000 limitation in any year. The projected debt service on the 2004 Certificates requires \$0.77 on the current District valuation.

**THE 2004 CERTIFICATES**

The 2004 Certificates will be issued in the aggregate principal amount of \$1,110,000, will be dated the date of delivery thereof, bear interest (computed on the basis of a year of 360 days consisting of twelve thirty-day months) at specified rates, payable on July 15, 2004, and semiannually thereafter on January 15 and July 15 of each year (collectively, the "Interest Payment Dates"), and mature on the dates, all as set forth on the cover page of this Official Statement. The 2004 Certificates are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof. Initially, the 2004 Certificates will be issued using the services of The Depository Trust Company ("DTC") and will be registered in the name of Cede & Co. and will be made available to beneficial owners in book-entry only form, as described below.

## **General**

The principal of and interest on the 2004 Certificates due at maturity or upon redemption prior to maturity are payable at the office of the Business Manager, Deubrook Area School District No. 5-6, in White, South Dakota, (the "Registrar") or of any successor paying agent and registrar appointed by the District, as provided in the Resolution, upon presentation and surrender thereof. Interest on the 2004 Certificates due prior to maturity or earlier date of redemption will be paid to the registered owners thereof as of the close of business on the last day of the calendar month next preceding each Interest Payment Date (the "Record Date") and will be paid by check or draft drawn on the Registrar and mailed on each Interest Payment Date to the registered owners thereof at the addresses shown on the registration books maintained by the Registrar notwithstanding the cancellation of any such 2004 Certificate upon any exchange or transfer thereof subsequent to the Record Date and prior to such Interest Payment Date. The principal of and interest on the 2004 Certificates will be paid in lawful money of the United States of America. The foregoing procedures and methods for payment will apply in the event that provisions for global book-entry certificates as described below cease to be in effect and will apply to the holding and transfer of 2004 Certificates by DTC subject to certain modifications provided for in a Letter of Representations between the District, the Registrar and DTC.

## **Global Book-Entry Certificates**

The 2004 Certificates will be available to the ultimate purchasers in global book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of the 2004 Certificates will not receive certificates representing their interests in the 2004 Certificates purchased, except as described below.

The following description of the procedures and record-keeping with respect to beneficial ownership interests in the 2004 Certificates, payment of interest and other payments on the 2004 Certificates to Participants (as hereinafter defined) or Beneficial Owners (as hereinafter defined) of the 2004 Certificates, confirmation and transfer of beneficial ownership interests in the 2004 Certificates and other related transactions by and between DTC, Participants and Beneficial Owners of the 2004 Certificates, is based solely on information furnished by DTC to the District for inclusion in this Official Statement. Accordingly, the District and the Registrar do not make any representations concerning these matters, and the Beneficial Owners of the 2004 Certificates should not rely on the following information with respect to such matters, but should instead confirm the same with the Participants from whom they purchased the 2004 Certificates.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2004 Certificates. The 2004 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2004 Certificate will be issued for each separate maturity of the 2004 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic

computerized book-entry transfers and pledges between Direct Participant's accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the 2004 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2004 Certificates on DTC's records. The ownership interest of each actual purchaser of each 2004 Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2004 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2004 Certificates, except in the event that use of the book-entry system for the 2004 Certificates is discontinued.

To facilitate subsequent transfers, all 2004 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2004 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2004 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2004 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2004 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the documents relating to the 2004 Certificates. For example, Beneficial Owners of 2004 Certificates may wish to ascertain that the nominee holding the 2004 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2004 Certificates within a maturity are being

redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2004 Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Registrar) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2004 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the 2004 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar (from funds provided by the District), disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2004 Certificates at any time by giving reasonable notice to the District or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates for the 2004 Certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the 2004 Certificates will be printed and delivered.

The information under this subcaption concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

The District and the Registrar will not have any responsibility or obligation to Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Direct Participant or any Indirect Participant; (ii) the payment by DTC or any Direct Participant or Indirect Participant of any amount with respect to the principal or redemption price of or interest on the 2004 Certificates; (iii) any notice which is permitted or required to be given to bondholders under the Resolution; (iv) the selection by DTC or any Direct or Indirect Participant of any person to receive payment in the event of a partial redemption of the 2004 Certificates; or (v) any consent given or other action taken by DTC as Bondholder.

The information included under this subcaption, other than in this paragraph, the preceding paragraph hereof and the first two full paragraphs under this subcaption, has been provided by DTC. No representation is made by the District or the Registrar as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof. The Beneficial

Owners of the 2004 Certificates will rely on DTC Participants or Indirect Participants for timely payments and other notices and for otherwise making available to the Beneficial Owners the rights of a bondholder. No assurances can be given, in the event of the bankruptcy or insolvency of DTC or the Direct Participant or Indirect Participant through which a Beneficial Owner holds beneficial interest in the 2004 Certificates, that payment will be made by DTC, the Direct Participant or the Indirect Participant on a timely basis.

### **Notice to Certificate Holders**

Notice of any proposed modification or amendment of the Resolution by means of a supplemental Resolution that is to be effective with the consent of the registered owners of the 2004 Certificates as well as all notices of redemption will be mailed to DTC, as the registered owner of the 2004 Certificates then outstanding.

No assurance can be given by the District or the Registrar that DTC will distribute to the Participants, or that the Participants will distribute to the Beneficial Owners, (i) payment of debt service on the 2004 Certificates paid to DTC, or its nominee, as the registered owner, or (ii) any redemption or other notices, or that DTC or the Participants will serve and act on a timely basis or in the manner described in this Official Statement.

### **Optional Redemption**

The 2004 Certificates, or installments thereof, maturing on or after July 15, 2010, are subject to prior redemption in inverse serial order at the option of the District on July 15, 2009, or on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the redemption date.

### **Redemption--2004 Certificates Held by DTC**

If the 2004 Certificates are being held by DTC under the book-entry system and less than all of such 2004 Certificates within a maturity are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each Participant in such maturity to be called for redemption, and each Participant is to then select by lot the ownership interest in such maturity to be redeemed. See "THE 2004 Certificates - Global Book-Entry Certificates" herein.

### **Notice of Redemption; Effect of Redemption**

Notice of call for redemption, identifying the 2004 Certificates or portions thereof to be redeemed shall be given by the Registrar by mail, sent to the registered owners of the 2004 Certificates to be redeemed (initially, Cede & Co.) at their registered addresses as shown on the registration books maintained by the Registrar, first class, postage prepaid, not less than thirty (30) days prior to the date fixed for redemption. Failure to give notice to any registered owner or any defect in the notice shall not affect the validity of the proceedings calling the 2004 Certificates or the redemption of any 2004 Certificates for which proper notice has been given. The District shall have the right to direct further notice of redemption for any 1998 Certificate for which defective notice has been given.

### Transfer of 2004 Certificates

The 2004 Certificates are transferable upon presentation for cancellation to the Registrar at its office in White, South Dakota. To be transferred, any 2004 Certificates must be accompanied by a written instrument of transfer in form satisfactory to the Registrar and must be accompanied by such signature guaranties and other evidence as the Registrar may require. Upon surrender of any 2004 Certificate in proper form, the Registrar will deliver at its office or send by registered mail to the transferee owner or owners at such transferee owner's or owners' risk and expense, a new 2004 Certificate or 2004 Certificates of the same maturity, interest rate and aggregate principal amount registered in the name of the transferee owner or owners. To the extent of the denominations permitted by the Resolution, one 2004 Certificate may be transferred for several 2004 Certificates of a like maturity, interest rate and aggregate principal amount and several 2004 Certificates may be transferred for one or several 2004 Certificates, respectively, of the same maturity, interest rate and aggregate principal amount. Transfer of interests by Beneficial Owners, so long as there is a securities depository serving will be governed by the procedures described under "THE 2004 Certificates - Global Book-Entry Certificates" herein.

### **SOURCES AND APPLICATIONS OF FUNDS**

Following are the estimated sources and applications of funds:

#### Sources of Funds:

Certificate Proceeds	\$1,110,000.00
Series 1998 Debt Service Funds	<u>30,136.46</u>
Total	<u>\$1,140,136.46</u>

#### Applications of Funds:

Called Series 1998 Capital Outlay Certificates	\$ 916,088.78
Deposit to Construction Fund	201,847.68
Estimated Issuance Expenses (Including Underwriter's discount)	<u>22,200.00</u>
Total	<u>\$1,140,136.46</u>

### **FINANCIAL STATEMENT**

Taxable Valuation(2003)	\$141,604,320
Net Direct Bonded Debt	-
Series 2004 Certificates (this issue)	1,110,000
Ratio of Direct Debt to Actual Valuation	0.78%
Direct, Overlapping and Underlying G.O. Debt	1,210,852
Ratio of Direct, Overlapping and Underlying Debt to Actual Valuation	0.85%
Square miles in District (approx)	216
Acres in District (approx)	138,137
Estimated District Population	2,500
Net Direct Debt per Capita (approx)	\$444.00

**Overlapping Debt:****Brookings County**

Taxable Valuation (2003)	\$1,067,151,288
General Obligation Debt	760,000
(13.27% applicable to District)	100,852

**Deuel County**

Taxable Valuation (2003)	\$312,760,303
General Obligation Debt	-0-
(17.51% applicable to District)	

**Underlying Debt:****City of Toronto**

Taxable Valuation (2003)	\$2,169,381
General Obligation Debt	-0-
Population (est)	202

**City of White**

Taxable Valuation (2003)	\$9,177,918
General Obligation Debt	-0-
Population (est)	530

**City of Astoria**

Taxable Valuation (2003)	\$930,602
General Obligation Debt	-0-
Population (est)	155

**THE SCHOOL DISTRICT****Administration**

The District is governed by a Board of Education, which is composed of seven elected Board members. The Superintendent of Schools is an appointed official. The Secretary of the Board is the Business Manager. The Board is responsible for the organizational and financial control of the District. The Superintendent is responsible for the administration of the District's business affairs and the supervision of instruction.

The present members of the Board of Education and the expiration of respective terms of office are as follows:

<b><u>Board Member</u></b>	<b><u>Term Expires</u></b>
Sandra Rhody	2006
Bert Rogness	2006
David Meyer	2006
David Iverson	2005
Nels Troolstop	2005
Carrie Knutson	2004
Dawn Byers	2004

The Superintendent of Schools is Dr. Chris P. Christensen who joined the Deubrook Area School District No. 5-6 in 2002. Assisting the Superintendent are the following members of the administrative staff:

<u>Name</u>	<u>Title</u>
Don Ray	Secondary Principal
Nancy Springer	Elementary Principal
Mary Berge	Business Manager

### **Budgetary Process**

The Superintendent and Business Manager, with input from his staff, principals and interested community groups, prepare a recommended budget and submits it to the Board, which may modify it. The Board adopts a budget which is submitted along with the Annual Financial report to the Brookings County Auditor. The budget is designated as the Official Budget and governs the general operations for the fiscal year unless amended by the Board. The budget process begins in January and is passed at the regular Board of Education meeting in July.

### **Employee Relations**

The District's teachers are represented by the Deubrook Education Association. The Board believes that its relationship with the employees is excellent. Negotiations for the teachers' contract for the 2003-04 school year have been completed.

### **Statistical Data**

#### **Five-Year Staffing Levels** (Full-Time Equivalent)

<u>Year</u>	<u>Number</u>
1998-99	27.3
1999-00	26.8
2000-01	29.2
2001-02	28.1
2002-03	29.1

Source: Deubrook School District

#### **Values for Tax Levy Purposes**

<u>Year</u>	<u>Taxable Valuation</u>
2003	\$141,604,320*
2002	115,247,768
2001	99,673,419
2000	93,706,097
1999	91,312,482

\* Lake Hendricks School District 5-4 dissolved and was merged to the Deubrook District as of July 1, 2003.

Source: Deubrook School District

### Enrollment

<u>Year</u>	<u>Enrollment</u>
1999-00	371
2000-01	379
2001-02	375
2002-03	365
2003-04	378

Source: Deubrook School District

### Tax Rates

		<u>General Fund</u>					
		<u>Non-Ag*</u>		<u>Spec Ed</u>	<u>Cap Outlay</u>	<u>Bond</u>	
<u>School</u>	<u>Year</u>	<u>Ag</u>	<u>(Reg.) (Owner-occupied)</u>			<u>Redemption</u>	<u>Pension</u>
	1999-00	4.70	16.15 7.56	1.40	3.00	0.00	.30
	2000-01	4.29	17.95 6.91	1.40	3.00	0.00	.30
	2001-02	5.02	17.31 8.08	1.40	3.00	0.00	.30
	2002-03	4.60	15.87 7.40	1.40	3.00	0.00	.30

\*Non-Ag now has one levy for regular non-ag and another for owner-occupied.

Source: Deubrook School District

### **GENERAL INFORMATION**

Deubrook School District 5-6 is a consolidated district with three attendance centers, an elementary school (grades K-1) in Astoria, an elementary school (grades 2-6) in Toronto and a junior high school (grades 7-8) and senior high school (grades 9-12) in White. The District is located approximately 15 miles northeast of Brookings, South Dakota near I-29. The current enrollment is approximately 377 students with 31 teachers and 30 other staff employees.

### **TAX EXEMPTION**

Under the Internal Revenue Code of 1986, as amended (the "Code"), interest on the 2004 Certificates will not be includable in gross income for purposes of determining federal income taxes. Certain features of the Code with respect to interest on the 2004 Certificates are described in the following paragraphs.

1. The 2004 Certificates are not Private Activity Bonds. The 2004 Certificates are being issued for essential governmental purposes of the District and will not be "private activity bonds" as described in the Code. In connection with the issuance of the 2004 Certificates, the District will certify that none of the proceeds of the 2004 Certificates will be used to acquire property for which any person will be a user other than as a member of the general public under the terms of the Code, subject to certain limitations provided for in the Code. The District will also certify that none of the proceeds of the 2004 Certificates will be used to make or finance loans to any persons. Because the 2004 Certificates will not be "private activity bonds," as described

in the Code, they will not be subject to the alternative minimum tax for individuals or corporations. For corporations, however, the 2004 Certificates, like all other tax-exempt bonds, will be subject to the additional minimum tax on "adjusted current earnings," which is referred to below.

2. The 2004 Certificates will not be Arbitrage Bonds under the Terms of the Code. In connection with the issuance of the 2004 Certificates, the District will certify certain of its expectations and anticipations with respect to the 2004 Certificates. The 2004 Certificates are not expected to be subject to the rebate requirements as described in the Code. Under certain circumstances, failure to pay rebates on a timely basis can result in a retroactive loss of tax-exempt status for municipal obligations. Although the Code provides that the determination of whether or not a bond is an arbitrage bond is to be based upon reasonable expectations at the time of issuance, it also contains language which indicates that a bond is to be treated as an arbitrage bond "if the issuer intentionally uses any portion of the proceeds of the issue" to acquire higher yielding investments or replace funds which were used directly or indirectly to acquire such higher yielding investments. The Resolution will include a covenant on the part of the District to take all actions necessary to preserve the tax-exempt status of interest on the 2004 Certificates under the Code.

3. Tax Consequences for Tax-Exempt Interest Income Under Certain Other Provisions of Federal Tax Laws. Under the Code while interest on the 2004 Certificates is exempt as to taxpayers generally, such income may be taken into consideration for purposes of computing certain other taxes imposed. Investors with social security or railroad retirement income may have a tax imposed upon such social security or railroad retirement income depending upon whether or not they have received tax-exempt income such as interest on the 2004 Certificates. Corporations subject to the additional minimum tax on "adjusted current earnings" will be required to pay taxes on a portion of the interest income which is attributable to the 2004 Certificates. Such corporate income may also be subject to additional tax such as the environmental tax imposed by Section 59A of the Code. Casualty and insurance companies will be required to take into consideration tax-exempt interest income in determining losses for certain purposes. Foreign corporations may be required to take into account interest on the 2004 Certificates in computing the branch profits tax under Section 884 of the Code. Certain S Corporations may also be required to take interest on the 2004 Certificates into consideration for certain federal income tax purposes. Taxpayers with social security income or railroad retirement income, corporations subject to the additional minimum tax on "adjusted current earnings," casualty and insurance companies, foreign corporations and S Corporations should consult with their own tax advisors concerning the consequences of investment in the 2004 Certificates.

4. Interest Deduction for Financial Institutions. Under the Code, financial institutions are generally subject to a 100 percent disallowance of interest expense for interest which is attributable to carrying tax exempt obligations acquired after August 7, 1986. There is, however, under the Code, a permanent exception provided for certain bonds acquired from certain small issuers. Such exception applies if the following conditions are met:

- 1) The obligations must not be "private activity bonds."
- 2) The obligations must be issued by an issuer which reasonably anticipates that it will not issue more than \$10 million of tax exempt obligations during the calendar year in which the obligations are issued.
- 3) The issuer must designate the obligations as its "qualified tax exempt obligations."

In connection with the issuance of the 2004 Certificates, the District will certify and warrant that it does not anticipate issuing more than \$10 million of tax exempt obligations during the current calendar year. The resolution authorizing the issuance of the 2004 Certificates designates the 2004 Certificates as the District's "qualified tax exempt obligations" as described in the Code. The 2004 Certificates will not be private activity bonds, as discussed above. Financial institutions considering investing in the 2004 Certificates should, however, consult with their own tax advisors concerning the potential consequences of investing in the 2004 Certificates.

### **CONTINUING DISCLOSURE UNDERTAKING**

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the School District in the resolution authorizing the 2004 Certificates (the "Resolution") has agreed that it will provide the following continuing disclosure information:

(A) to Ameritas Investment Corp. (the "Underwriter") and any person making request or in the alternative at least annually to any state information depository ("SID") for the State of South Dakota (no such SID currently exists or is presently expected to exist based upon any current pending legislation), the following financial information or operating data regarding the School District: financial information and operating data which is customarily prepared by the School District, including the School District's most recently prepared audited financial statements, which shall be prepared for governmental and fiduciary fund types on the basis of generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States demonstrating compliance with the cash basis (a method not in conformity with generally accepted accounting principles).

(B) in a timely manner to the Underwriter, to the Municipal Securities Rulemaking Board (the "MSRB"), to the SID (if any) and to any nationally recognized municipal securities information repository for which the Underwriter makes request, notice of the occurrence of any of the following events with respect to the 2004 Certificates, if in the judgment of the School District, such event is material:

- (1) principal and interest payment delinquencies,
- (2) non-payment related defaults,
- (3) unscheduled draws on debt service reserves reflecting financial difficulties (there are no debt service reserves established for the 2004 Certificates under the terms of the Resolution),
- (4) unscheduled draws on credit enhancements reflecting financial difficulties (there is no credit enhancement on the 2004 Certificates);
- (5) substitution of credit or liquidity providers, or their failure to perform (not applicable to the 2004 Certificates);
- (6) adverse tax opinions or events affecting the tax-exempt status of the 2004 Certificates,

- (7) modifications to rights of the bondholders,
- (8) bond calls,
- (9) defeasances,
- (10) release, substitution, or sale of property securing repayment of the 2004 Certificates, and
- (11) rating changes (the 2004 Certificates are not rated and no rating for the 2004 Certificates is expected to be requested).

The District has not undertaken to provide notice of the occurrence of any other material event, except the events listed above.

The person to contact for obtaining continuing disclosure information is:

Business Manager  
Deubrook Area School District No. 5-6  
P.O. Box 346  
White, South Dakota 57276-0346  
Telephone Number (605) 629-3211

The District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the District, consistent with the Rule. In the Resolution the District has agreed that such covenants are for the benefit of the registered owners of the 2004 Certificates (including Beneficial Owners) and that such covenants may be enforced by any registered owner or Beneficial Owner, provided that any such right to enforcement shall be limited to specific enforcement of such undertaking and any failure shall not constitute an event of default under the Resolution. The continuing disclosure obligations of the District under the Resolution, as described above, shall cease when none of the 2004 Certificates remain outstanding.

### LITIGATION

No litigation is pending or, to the knowledge of the District, threatened in any court to restrain or enjoin the issuance or delivery of any of the 2004 Certificates, or attacking in a material way the District's ability to levy taxes to pay the 2004 Certificates or in any way contesting or affecting the validity of the 2004 Certificates or the resolution authorizing the 2004 Certificates or contesting the power or authority of the District to enact such resolution.

### UNDERWRITING

Ameritas Investment Corp., as Underwriter, has agreed, subject to certain conditions, to purchase the 2004 Certificates from the District at a purchase price of 98.15% of the principal amount plus accrued interest. The Underwriter will be obligated to purchase all such 2004 Certificates if any such 2004 Certificates are purchased. The 2004 Certificates may be offered and sold to certain dealers at prices lower than the public offering prices, and the public offering prices may be changed, from time to time, by the Underwriter.



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APPENDIX A

EXTRACT FROM AUDIT REPORT

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6

For the Fiscal Year ended June 30, 2002

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427 SOUTH CHAPELLE  
C/O 500 EAST CAPITOL  
PIERRE SD 57501-5070  
(605) 773-3595  
FAX (605) 773-6454

MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

School Board  
Deubrook Area School District No. 5-6  
Brookings County, South Dakota

We have audited the accompanying general-purpose financial statements of Deubrook Area School District No. 5-6, Brookings County, South Dakota, as of June 30, 2002, and for the year then ended, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of Deubrook Area School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

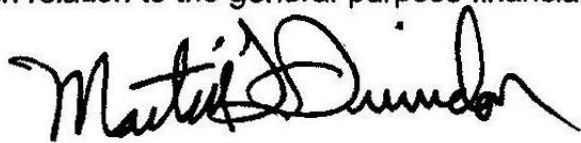
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Deubrook Area School District No. 5-6 as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2003 on our consideration of Deubrook Area School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and, in considering the results of this audit, this report should be read along with the independent auditor's report on the financial statements.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Deubrook Area School District No. 5-6 taken as a whole. The combining financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and is not a required part of the general-purpose financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is fluid and cursive, with a large, stylized "M" and "G".

Martin L. Guindon, CPA  
Auditor General

January 27, 2003

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**DEUBROOK AREA SCHOOL DISTRICT NO. 5-6**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
June 30, 2002

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
	General Fund	Special Revenue Funds		Enterprise Funds	Internal Service Funds		General Fixed Assets	General Long-Term Debt	
<b>Assets:</b>									
Current Assets:									
Interest Bearing Accounts	\$ 790,327.89	\$ 520,633.36	\$	20,929.02	\$ 10,071.32	\$ 44,900.97	\$		\$
Savings Certificates		45,746.98			15,907.32				
Taxes Receivable--Current	374,515.11	246,938.02							
Taxes Receivable--Delinquent	14,065.58	6,427.59							
Accounts Receivable	10,498.78			46.20					
Inventory of Supplies				780.18					
Inventory of Stores Purchased for Resale				2,379.26					
Inventory of Donated Food				3,370.28					
<b>Total Current Assets</b>	<b>1,189,407.36</b>	<b>819,745.95</b>		<b>27,504.94</b>	<b>25,978.64</b>	<b>44,900.97</b>	<b>0.00</b>		<b>0.00</b>
<b>Fixed Assets:</b>									
Land									
Buildings							12,957.00		
Improvements Other Than Buildings							3,795,983.36		
Machinery and Equipment--Local Funds							153,315.60		
Machinery and Equipment--Federal Assistance				26,636.66			461,902.46		
Investment in Joint Venture							7,821.12		
Accumulated Depreciation--Machinery and Equipment--Local Funds (Credit)				(23,479.66)			234,079.98		
<b>Total Fixed Assets</b>	<b>0.00</b>	<b>0.00</b>		<b>3,157.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4,666,059.52</b>		<b>0.00</b>
<b>Other Debits:</b>									
Advance to Imprest Fund	5,000.00			1,000.00					
Amount to be Provided for Payment of General Long-Term Liabilities									
<b>Total Other Debits</b>	<b>5,000.00</b>	<b>0.00</b>		<b>1,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>1,061,639.92</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,194,407.36</b>	<b>\$ 819,745.95</b>		<b>\$ 31,661.94</b>	<b>\$ 25,978.64</b>	<b>\$ 44,900.97</b>	<b>\$ 4,666,059.52</b>		<b>\$ 1,061,639.92</b>

# Liabilities and Fund Equity:

## Current Liabilities:

Accounts Payable	\$ 27,718.08	\$ 9,677.16	\$ 272.87	\$ 499.23	\$
Contracts Payable	136,389.91	27,101.51	5,798.10		
Amounts Held for Others				26,858.74	
Payroll Deductions and Withholdings and Employer Matching Payable	24,830.56	5,598.38	1,678.96		
Deposits Payable			1,414.40		
Deferred Revenue	388,580.69	253,365.61			
Total Current Liabilities	577,519.24	295,742.66	9,164.33	27,357.97	0.00

## Long-Term Liabilities:

Capital Outlay Certificates Payable					990,000.00
Early Retirement Benefits Payable					30,666.00
Other Long Term Liabilities					40,973.92
Advance from General & Enterprise Funds					
Total Long-Term Liabilities	0.00	0.00	0.00	0.00	1,061,639.92
Total Liabilities	577,519.24	295,742.66	9,164.33	33,357.97	1,061,639.92

## Fund Equity:

Reserved Fund Balance:					
Reserved for Scholarships				11,543.00	
Reserved for Advances	5,000.00				
Unreserved Fund Balances:					
Designated for Next Year's Budget	67,756.00				
Undesignated	544,132.12	524,003.29			
Investment in General Fixed Assets					4,666,059.52
Unreserved Retained Earnings			(2,076.06)		
Contributions from Capital Outlay Fund			24,573.67		
Total Fund Equity	616,888.12	524,003.29	22,497.61	11,543.00	0.00
TOTAL LIABILITIES & FUND EQUITY	\$ 1,194,407.36	\$ 819,745.95	\$ 31,661.94	\$ 44,900.97	\$ 1,061,639.92

The notes to the financial statements are an integral part of this statement.

**DEUBROOK AREA SCHOOL DISTRICT NO. 5-6**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**For the Fiscal Year Ended June 30, 2002**

	Governmental Fund Types		Fiduciary Fund Type
	General Fund	Special Revenue Funds	Expendable Trust Funds
Revenue:			
Revenue from Local Sources:			
Taxes	\$ 727,702.86	\$ 457,847.17	\$
Tuition and Fees	105,665.06		
Investment Earnings	29,811.19	7,487.30	37.54
Cocurricular Activities	17,698.21		
Other Revenue from Local Sources	30,392.87		11,300.00
Revenue from Intermediate Sources:			
County Sources	30,434.09		
Revenue in Lieu of Taxes	154.14		
Revenue from State Sources:			
Grants-in-Aid	982,617.24	117,072.94	
Revenue from Federal Sources:			
Grants-in-Aid	71,967.80	46,398.00	
Other Federal Revenue	574.47		
Total Revenue	1,997,017.93	628,805.41	11,337.54
Expenditures:			
Instruction:			
Regular Programs	978,684.52	19,140.59	

Special Programs	85,456.02	220,573.84	
Support Services:			
Pupils	37,721.72	74,735.68	
Instructional Staff	124,438.35	17,248.03	
General Administration	75,560.08	1,257.52	
School Administration	101,567.54	823.90	
Business	436,893.51	60,100.11	
Community Services:			
Community Recreation Services	4,000.00		
Public Library Services	5,000.00		
Nonprogrammed Charges:			
Scholarships			400.00
Early Retirement Payments		11,865.18	
Other Nonprogrammed Costs	9,600.48		
Debt Services		124,331.03	
Cocurricular Activities:			
Male Activities	15,260.60		
Female Activities	17,828.19		
Transportation	16,439.70		
Combined Activities	31,994.14	8,663.15	
Total Expenditures	1,940,444.85	538,739.03	400.00
Excess of Revenue Over (Under) Expenditures	56,573.08	90,066.38	10,937.54
Fund Balance, July 1, 2001	560,315.04	433,936.91	605.46
FUND BALANCE, JUNE 30, 2002	\$ 616,888.12	\$ 524,003.29	\$ 11,543.00

The notes to the financial statements are an integral part of this statement.

**DEUBROOK AREA SCHOOL DISTRICT NO. 5-6**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL--GENERAL AND SPECIAL REVENUE FUND TYPES**  
For the Fiscal Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 670,915.00	\$ 669,536.11	\$ (1,378.89)	\$ 438,200.00	\$ 454,329.67	\$ 16,129.67
Prior Years' Ad Valorem Taxes	2,000.00	3,320.29	1,320.29	1,500.00	1,551.42	51.42
Gross Receipts Taxes	49,000.00	51,861.34	2,861.34			
Penalties and Interest on Taxes	3,000.00	2,985.12	(14.88)	2,000.00	1,966.08	(33.92)
Tuition and Fees:						
Regular Day School Tuition	95,600.00	105,665.06	10,065.06	12,500.00	0.00	(12,500.00)
Investment Earnings	24,000.00	29,811.19	5,811.19	7,000.00	7,487.30	487.30
Cocurricular Activities:						
Admissions	17,400.00	17,698.21	298.21			
Other Revenue from Local Sources:						
Rentals	500.00	230.00	(270.00)			
Contributions and Donations	3,000.00	3,000.00	0.00			
Other	10,000.00	27,162.87	17,162.87			
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	26,000.00	30,434.09	4,434.09			
Revenue in Lieu of Taxes	0.00	154.14	154.14			
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	984,168.00	972,418.78	(11,749.22)			

Restricted Grants-in-Aid	4,000.00	10,198.46	6,198.46	125,342.00	117,072.94	(8,269.06)
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted Grants-in-aid Received from						
Federal Government Through the State	68,249.00	71,967.80	3,718.80	36,000.00	46,398.00	10,398.00
Other Federal Revenue	1,000.00	574.47	(425.53)			
Total Revenue	1,958,832.00	1,997,017.93	38,185.93	622,542.00	628,805.41	6,263.41

Expenditures:						
Instruction:						
Regular Programs:						
Elementary	605,504.00	621,616.01	(16,112.01)	21,140.00	5,230.62	15,909.38
High School	371,810.00	344,512.91	27,297.09	13,540.00	13,909.97	(369.97)
Class Size Reduction Programs	14,600.00	8,622.50	5,977.50			
Other Regular Programs	3,870.00	3,933.10	(63.10)			
Special Programs:						
Programs for Special Education				235,973.00	217,525.84	18,447.16
Educationally Deprived	45,983.00	48,349.35	(2,366.35)			
Basic Skills	4,123.00	4,543.67	(420.67)			
Other Special Programs	32,563.00	32,563.00	0.00	0.00	3,048.00	(3,048.00)
Support Services:						
Pupils:						
Guidance	39,577.00	36,201.14	3,375.86	800.00	799.44	0.56
Health	5,000.00	1,520.58	3,479.42			
Psychological						
Speech Pathology				18,417.00	18,386.64	30.36
Student Therapy Services				33,632.00	34,691.03	(1,059.03)
Support Services - Instructional Staff:				20,020.00	20,858.57	(838.57)
Improvement of Instruction	4,926.00	6,367.47	(1,441.47)			
Educational Media	105,169.00	118,070.88	(12,901.88)	18,960.00	17,248.03	1,711.97
Support Services - General Administration:						
Board of Education	33,048.00	22,738.11	10,309.89			

**DEUBROOK AREA SCHOOL DISTRICT NO. 5-6**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL--GENERAL AND SPECIAL REVENUE FUND TYPES**

For the Fiscal Year Ended June 30, 2002

(Continued)

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Executive Administration	57,681.00	52,821.97	4,859.03	2,227.00	1,257.52	969.48
Support Services - School Administration:						
Office of the Principal	104,214.00	101,567.54	2,646.46	3,000.00	823.90	2,176.10
Support Services - Business:						
Fiscal Services	66,407.00	61,727.59	4,679.41	2,000.00	1,145.00	855.00
Facilities Acquisition and Construction				20,000.00	8,270.49	11,729.51
Operation and Maintenance of Plant	271,561.00	267,444.20	4,116.80	11,200.00	5,562.62	5,637.38
Pupil Transportation	112,000.00	107,721.72	4,278.28	43,000.00	39,902.00	3,098.00
Food Services				8,000.00	5,220.00	2,780.00
Community Services:						
Recreation	4,000.00	4,000.00	0.00			
Public Library	5,000.00	5,000.00	0.00			
Nonprogrammed Charges:						
Early Retirement Payments				11,866.00	11,865.18	0.82
Other Nonprogrammed Costs	0.00	9,600.48	(9,600.48)			
Debt Service				124,833.00	124,331.03	501.97
Cocurricular Activities:						
Male Activities	16,412.00	15,260.60	1,151.40			
Female Activities	17,676.00	17,828.19	(152.19)			
Transportation	19,000.00	16,439.70	2,560.30			
Combined Activities	37,058.00	31,994.14	5,063.86	11,500.00	8,663.15	2,836.85
Contingencies	15,000.00					

Amount Transferred	0.00			15,000.00			
Total Expenditures	<u>1,992,182.00</u>	<u>1,940,444.85</u>		<u>51,737.15</u>	<u>600,108.00</u>	<u>538,739.03</u>	<u>61,368.97</u>
Excess of Revenue Over (Under) Expenditures	(33,350.00)	56,573.08	89,923.08		22,434.00	90,066.38	67,632.38
Fund Balance, July 1, 2001	<u>560,315.04</u>	<u>560,315.04</u>	<u>0.00</u>		<u>433,936.91</u>	<u>433,936.91</u>	<u>0.00</u>
FUND BALANCE, JUNE 30, 2002	<u>\$ 526,965.04</u>	<u>\$ 616,888.12</u>	<u>\$ 89,923.08</u>	<u>\$ 456,370.91</u>	<u>\$ 524,003.29</u>	<u>\$ 67,632.38</u>	

The notes to the financial statements are an integral part of this statement.

**DEUBROOK AREA SCHOOL DISTRICT NO. 5-6**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES**  
**For the Fiscal Year Ended June 30, 2002**

	<b>Proprietary Fund Types</b>	
	<b>Enterprise Funds</b>	<b>Internal Service Funds</b>
Operating Revenue:		
Sales:		
To Pupils	\$ 77,435.25	\$
To Adults	4,363.50	
A la Carte	4,847.25	
Total Operating Revenue	<u>86,646.00</u>	<u>0.00</u>
Operating Expenses:		
Food Service:		
Salaries	57,450.00	
Employee Benefits	12,976.49	
Purchased Services	3,243.53	
Supplies	3,873.51	
Cost of Sales - Purchased Food	61,980.72	
Cost of Sales - Donated Food	13,834.30	
Miscellaneous	2,679.23	
Depreciation - Local Funds	1,101.87	
Total Operating Expenses	<u>157,139.65</u>	<u>0.00</u>
Operating Income (Loss)	<u>(70,493.65)</u>	<u>0.00</u>
Nonoperating Revenue (Expense):		
Local Sources:		
Investment Earnings	319.70	1080.52
Miscellaneous Revenue	882.99	
State Sources:		
Cash Reimbursements	1,085.27	
Federal Sources:		
Cash Reimbursements	49,186.71	
Donated Food	13,330.04	
Total Nonoperating Revenue (Expense)	<u>64,804.71</u>	<u>1,080.52</u>
Net Income (Loss)	<u>(5,688.94)</u>	<u>1,080.52</u>
Retained Earnings, July 1, 2001	<u>3,612.88</u>	<u>24,898.12</u>
RETAINED EARNINGS, JUNE 30, 2002	<u>\$ (2,076.06)</u>	<u>\$ 25,978.64</u>

The notes to the financial statements are an integral part of this statement.

**DEUBROOK AREA SCHOOL DISTRICT NO. 5-6**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**For the Fiscal Year Ended June 30, 2002**

	<b>Proprietary Fund Types</b>	
	<b>Enterprise Funds</b>	<b>Internal Service Funds</b>
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (70,493.65)	\$
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
(Increase) Decrease in Receivables	117.60	
(Increase) Decrease in Inventory	537.15	
Depreciation Expense	1,101.87	
Increase (Decrease) in Accounts Payable	272.87	
Increase (Decrease) in Salaries and Wages Payable	(1,286.25)	
Increase (Decrease) in Deposits Payable	278.40	
Value of Donated Commodities Used	13,834.30	
Net Cash Provided (Used) by Operating Activities	<u>(55,637.71)</u>	<u>0.00</u>
Cash Flows from Noncapital Financing Activities:		
Cash Reimbursements - State Sources	1,085.27	
Cash Reimbursements - Federal Sources	49,186.71	
Miscellaneous Revenue	882.99	
Total Cash Flows from Noncapital Financing Activities	<u>51,154.97</u>	<u>0.00</u>
Cash Flows from Investing Activities:		
Interest Received	<u>319.70</u>	<u>1,080.52</u>
Net Increase (Decrease) In Cash and Cash		
Equivalents During the Fiscal Year	<u>\$ (4,163.04)</u>	<u>\$ 1,080.52</u>
Cash and Cash Equivalents at End of Year	\$ 20,929.02	\$ 25,978.64
Cash and Cash Equivalents at Beginning of Year	<u>25,092.06</u>	<u>24,898.12</u>
Net Increase (Decrease) In Cash and Cash		
Equivalents During the Fiscal Year	<u>\$ (4,163.04)</u>	<u>\$ 1,080.52</u>
Noncash Investing, Capital and Financing Activities:		
Value of Commodities Received	\$ 13,330.04	

The notes to the financial statements are an integral part of this statement.

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DEUBROOK AREA SCHOOL DISTRICT NO. 5-6  
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the school board of education.

The school district participates in three cooperative service units with other school districts. See detailed note entitled "Joint Ventures" for specific disclosures.

The accounting policies of the school district conform to generally accepted accounting principles as applicable to governments.

b. Fund Accounting:

The accounts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three broad fund categories and five generic fund types as follows:

Governmental Funds:

General Fund - the General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds - special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts) that are legally restricted to expenditures for specified purposes.

Proprietary Funds:

Enterprise funds - enterprise funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance,

public policy, management control, accountability, or other purposes. The Food Service Fund is the only enterprise fund maintained by the school.

Internal service funds - internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies or to other governments, on a cost-reimbursement basis. The Unemployment Fund is the only internal service fund maintained by the school.

The enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

**Fiduciary Funds:**

Trust and agency funds - trust and agency funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**c. Fixed Assets and Long-Term Liabilities:**

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, including curbs and gutters, sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Interest costs incurred during construction of fixed assets are not capitalized along with other fixed asset costs.

The total June 30, 2002 balance of general fixed assets includes approximately one percent for which the costs were determined by estimations of the original cost. The total June 30, 2002 proprietary fund fixed assets include no assets for which the costs were determined by estimations of the original cost. These estimated original costs were established by reviewing applicable historical costs and basing the estimations thereon.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term debt account group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

d. Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. The revenues which were accrued at June 30, 2002 are reimbursements from the state and interest from agency funds. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

e. Budgets and Budgetary Accounting:

The school district followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year. The proposed budget is published for public review no later than July 15 each year. Public hearings are held to solicit taxpayer input prior to the approval of the budget. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
2. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.

4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and special revenue funds.

No encumbrances were outstanding at June 30, 2002.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

f. Deposits and Investments:

The school follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The school deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 110 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost plus interest, if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The school's policy is to credit all income from investments to the fund making the investments except for Capital Outlay and Special Education Funds. Their interest is credited to the General Fund.

The actual bank balances at June 30, 2002 were as follows:

	Bank Balance
Insured (FDIC/NCUA)	\$ 271,872.30
Uninsured, collateral jointly held by state's/ school's agent in the name of the state and the pledging financial institution.	1,182,911.98
Total Deposits	<u>\$ 1,454,784.28</u>

The carrying amount of deposits on the June 30, 2002 balance sheet was \$1,448,516.86.

Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

g. Inventory:

Inventory is valued at the lower of cost or market. The cost valuation method is First-In, First-Out Basis. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

h. Interfund Receivables:

Noncurrent portions of long-term interfund loans receivable, reported in "Advance to" asset accounts, are equally offset by a fund balance reserve account which indicates they do not constitute "available spendable resources" since they are not a component of net current assets.

i. Deferred Revenue:

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

j. Cash Flows:

For the purpose of the Statement of Cash Flows, the school district considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

## 2. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. The county bills and collects the school district's taxes and remits them to the school district. School district property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Current year property taxes receivable which are not available as a resource that can be used to finance the current year's appropriations and therefore are not susceptible to accrual have been deferred and are not reported as revenue.

## 3. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets for the fiscal year ended June 30, 2002 is as follows:

	Balance 7/1/01	Additions	Deletions	Balance 6/30/02
Land	\$ 12,957.00	\$	\$	\$ 12,957.00
Buildings	3,795,983.36			3,795,983.36
Improvements Other Than Buildings	153,315.60			153,315.60
Machinery and Equipment - Local Funds	429,746.44	32,156.02		461,902.46
Machinery and Equipment - Federal Assistance	7,821.12			7,821.12
Investments in Joint Ventures	210,949.28	23,130.70		234,079.98
Total	<u>\$ 4,610,772.80</u>	<u>\$ 55,286.72</u>	<u>\$ 0.00</u>	<u>\$ 4,666,059.52</u>

## 4. LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Capital Outlay Certificates	Capital Outlay Installment Debt	Early Retirement Payable	Financing (Capital Acquisition) Leases	Total
Debt Payable, July 1, 2001	\$ 1,030,000.00	\$ 13,838.39	\$ 41,688.00	\$ 56,175.68	\$ 1,141,702.07
Retired	(40,000.00)	(1,976.87)	(11,022.00)	(27,063.28)	(80,062.15)
DEBT PAYABLE, JUNE 30, 2002	<u>\$ 990,000.00</u>	<u>\$ 11,861.52</u>	<u>\$ 30,666.00</u>	<u>\$ 29,112.40</u>	<u>\$ 1,061,639.92</u>

Debt payable at June 30, 2002 is comprised of the following:

### Capital Outlay Certificates:

Series 1998 Capital Outlay Certificates, Interest Rate 4.05% to 5.45%, Due semi-annually on January 15 and July 15 until July 15, 2018, Serviced by Capital Outlay Fund

\$ 990,000.00

Capital Outlay Installment Debt:  
 Installment Loan with Interstate Telecommunications Cooperative,  
 Interest free, Due annually on September 1 until September 1,  
 2007, Serviced by Capital Outlay Fund \$ 11,861.52

Early Retirement Payable:  
 Early retirement agreements with three employees, No interest,  
 Due annually until 2005, Serviced by the Pension Fund \$ 30,666.00

Financing (Capital Acquisition) Leases:  
 Gateway Computer Lease, Interest rate 7.6%, Due annually  
 July 15, 2002, Serviced by Capital Outlay Fund \$ 29,112.40

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$ 110,558.00
Interest	14,708.64
<b>TOTAL</b>	<b><u>\$ 125,266.64</u></b>

The annual requirements to amortize all debt outstanding as of June 30, 2002, but including interest payments of \$501,728.01, are as follows:

Annual Requirements to Amortize Long-Term Debt  
 June 30, 2002

Year Ending June 30,	Capital Outlay Certificates	Capital Outlay Installment Debt	Early Retirement Payable	Financing (Capital Acquisition) Leases	Total
2003	\$ 89,297.50	\$ 1,976.87	\$ 11,022.00	\$ 31,316.66	\$ 133,613.03
2004	87,527.50	1,976.87	11,022.00		100,526.37
2005	90,613.75	1,976.87	8,622.00		101,212.62
2006	88,543.75	1,976.87			90,520.62
2007	86,440.00	1,976.87			88,416.87
Thereafter	1,047,101.25	1,977.17			1,049,078.42
<b>Total</b>	<b><u>\$ 1,489,523.75</u></b>	<b><u>\$ 11,861.52</u></b>	<b><u>\$ 30,666.00</u></b>	<b><u>\$ 31,316.66</u></b>	<b><u>\$ 1,563,367.93</u></b>

5. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

This requirement is effectively met by the statements in this report because the school district maintains only one enterprise fund which provides food service. The working capital of the Food Service Fund at June 30, 2002, is \$18,340.61.

6. RETIREMENT PLAN

All employees, except for Part-time Employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee

retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 5.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The school's share of contributions to the SDRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$70,019.30, \$63,026.04 and \$57,876.00, respectively, equal to the required contributions each year.

## 7. LITIGATION

At June 30, 2002 the school was not involved in any litigation.

## 8. JOINT VENTURES

### NORTHEAST EDUCATIONAL SERVICES COOPERATIVE

The school district participates in the Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing appropriate educational services for all children and to offer, on a cooperative fee assessment basis, services that the districts would not be able to provide as effectively or as economically acting alone, to the member school districts.

The members of the co-op and their relative percentage participation in the co-op are as follows:

#### Calculated Equity Interest Percentage by School District as of June 30, 2002

Arlington School District No. 38-1	4.1%
Britton School District No. 45-1	6.2%
Castlewood School District No. 28-1	3.9%
Clark School District No. 12-2	6.1%
De Smet School District No. 38-2	3.5%
Deubrook Area School District No. 5-6	4.3%
Deuel School District No. 19-4	7.1%
Elkton School District No. 5-3	4.5%
Enemy Swim Day School	1.0%
Estelline School District No. 28-2	3.4%
Florence School District No. 14-1	2.5%
Grant-Deuel School District No. 25-3	3.1%

Hamlin School District No. 28-3	7.8%
Henry School District No. 14-2	1.6%
Lake Preston School District No. 38-3	2.7%
Rosholt School District No. 54-4	2.1%
Sioux Valley School District No. 5-5	6.9%
Sisseton School District No. 54-5	14.3%
South Shore School District No. 14-3	1.4%
Summit School District No. 54-6	1.7%
Veblen School District No. 45-3	1.4%
Waubay School District No. 18-3	2.9%
Waverly School District No. 14-5	1.5%
Willow Lake School District No. 12-3	2.6%
Wilmot School District No. 54-7	3.4%
Total	<u>100%</u>

The co-op's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The school district has an equity interest in the net assets of the co-op. This interest has been reported using the equity method of accounting. The equity interest of the school district is \$40,274.82, which is included in the reported general fixed assets category of Investment in Joint Venture.

Separate financial statements for this joint venture are available from the Northeast Educational Services Cooperative.

At June 30, 2002, this joint venture had total fund equity of \$936,623.62 and no long-term debt.

#### **EAST CENTRAL MULTI-DISTRICT VOCATIONAL SCHOOL**

The school district participates in the East Central Multi-District Vocational School, a cooperative service unit (co-op) formed for the purpose of providing vocational education services to the member school districts.

The members of the co-op and their relative percentage participation in the co-op are as follows:

Deubrook Area School District No. 5-6	10.9%
Brookings School District No. 5-1	<u>89.1%</u>
Total	<u>100.0%</u>

The Sioux Valley School District No. 5-5 was formerly a member but withdrew from the co-op as of July 1, 2001.

The co-op's governing board is composed of two representatives from the Brookings School District and one representative from the Deubrook Area School District who are

school board members. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The school district has an equity interest in the net assets of the co-op. This interest has been reported using the equity method of accounting. The equity interest is \$102,019.08, which is included in the reported general fixed assets category of Investment in Joint Venture.

Separate financial statements for this joint venture are available from the East Central Multi-District Vocational School.

At June 30, 2002, this joint venture had total fund equity of \$935,954.82 and no long-term debt.

#### **EAST CENTRAL INTERCONNECT COOPERATIVE**

The school district participates in the East Central Interconnect Cooperative, a cooperative service unit (co-op) formed for the purpose of providing for the utilization of two-way interactive audio-visual network between member district so as to provide a comprehensive education program.

The members of the co-op and their relative percentage participation in the co-op are as follows:

Brookings School District No. 5-1	10.0%
Clark School District No. 12-2	10.0%
Deubrook Area School District No. 5-6	10.0%
Deuel School District No. 19-4	10.0%
Estelline School District No. 28-2	10.0%
Elkton School District No. 5-3	10.0%
Grant-Deuel School District No. 25-3	10.0%
Rutland School District No. 39-4	10.0%
Willow Lake School District No. 12-3	10.0%
South Dakota State University	10.0%
Total	<u>100.0%</u>

The co-op's governing board is composed of one representative from each of the member school districts, who are school board members. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The school district has an equity interest in the net assets of the co-op. This interest has been reported using the equity method of accounting. The equity interest is \$91,786.08, which is included in the reported general fixed assets category of Investment in Joint Venture.

Separate financial statements for this joint venture are available from the East Central Interconnect Cooperative.